

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Rudyard Area Schools		County Chippewa	
Fiscal Year End June 30, 2008		Opinion Date August 21, 2008		Date Audit Report Submitted to State September 26, 2008			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe) Single Audit		<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue			City Kincheloe	State MI
			Zip 49788	
Authorizing CPA Signature 		Printed Name Phillip J. Wolf, CPA		License Number 1101017275

Rudyard Area Schools

Financial Report with Supplementary Information

June 30, 2008

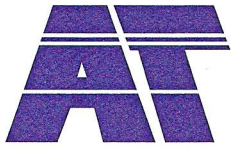
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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

Independent Auditor's Report

To the Members of the
Board of Education
Rudyard Area Schools
Rudyard, Michigan 49780

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Rudyard Area Schools as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Rudyard Area Schools' management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Michigan School Auditing Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Rudyard Area Schools as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Members of the
Board of Education
Rudyard Area Schools

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2008 on our consideration of Rudyard Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Administration's Discussion and Analysis and the required supplementary information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rudyard Area Schools basic financial statements. The accompanying combining statements as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to basic financial statements taken as a whole.


Anderson, Tackman & Company, PLC
Certified Public Accountants

August 21, 2008

Administration's Discussion and Analysis

Rudyard Area Schools is a pre-K-12 School District located in Chippewa County, Michigan. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Rudyard Area Schools Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

U.S. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

For the most part, the fund financial statements are comparable to pre GASB 34 financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instruction and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds, Capital Projects, and the Special Revenue Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District-wide Financial Statements:

The District-wide financial statements are additional reporting formats. These statements are maintained using the "full accrual" basis. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.

Summary of Net Assets:

The following summarizes the net assets at fiscal years ended June 30, 2008, and 2007:

Net Assets Summary

Assets	<u>2008</u>	<u>2007</u>
Current assets	\$ 3,837,037	\$ 4,427,862
Capital assets depreciated	<u>6,332,883</u>	<u>6,712,334</u>
Total assets	<u>\$ 10,169,920</u>	<u>\$ 11,140,196</u>
Liabilities		
Current liabilities	\$ 2,767,593	\$ 3,106,854
Long-term liabilities	<u>5,159,477</u>	<u>5,409,519</u>
Total liabilities	<u>\$ 7,927,070</u>	<u>\$ 8,516,373</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 1,244,769	\$ 1,393,764
Restricted for debt service	552,926	582,067
Unrestricted	<u>445,155</u>	<u>647,992</u>
Total net assets	<u>\$ 2,242,850</u>	<u>\$ 2,623,823</u>

1. Analysis of Financial Position:

During fiscal year ended June 30, 2008, the District's net assets decreased by \$380,973. A one time payment of compensated absences due to staff reductions as well as inflationary increases in operating expenses contributed to the decrease.

A. General Fund Operations

The district's expenditures from General Fund operations exceeded revenues by \$142,910 for the fiscal year ended June 30, 2008. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

B. Debt, Principal Payments

The District made principal payments on bonds and lease debt obligations that reduced the amount of the District's long-term liabilities as follows.

	<u>Balance 06/30/07</u>	<u>New Borrowings</u>	<u>Principal Payments</u>	<u>Balance 06/30/08</u>
Lease Payable	\$ 11,204	\$ -	\$ 5,456	\$ 5,748
Bonds Payable	<u>5,307,366</u>	<u>-</u>	<u>225,000</u>	<u>5,082,366</u>
Total long-term obligations	<u>\$ 5,318,570</u>	<u>\$ -</u>	<u>\$ 230,456</u>	<u>\$ 5,088,114</u>

The bonds payable represent the current debt on the 1999 School Renovation. For 2007-2008 3.70 mills were levied on local taxpayers to pay the current principal and interest of \$461,308.

2. Depreciation Expense

GASB 34 requires School Districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets.

For fiscal year ended June 30, 2008, the net increase in accumulated depreciation was \$496,315.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

3. Capital Assets

The District's investment in capital assets decreased by \$(379,451) during the fiscal year. This is summarized as follows:

	<u>Balance 06/30/07</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance 06/30/08</u>
Capital assets	\$ 16,948,588	\$ 116,864	\$ -	\$ 17,065,452
Less: accumulated depreciation	<u>(10,236,254)</u>	<u>(496,315)</u>	<u>-</u>	<u>(10,732,569)</u>
Net investment capital outlay	<u>\$ 6,712,334</u>	<u>\$ (379,451)</u>	<u>\$ -</u>	<u>\$ 6,332,883</u>

See Note 4 – Capital Assets later in the audit report for more detail.

4. Results of Operations:

For the fiscal year ended June 30, 2008 and 2007 the District wide results of operations were:

	2008		2007	
	Amount	% of Total	Amount	% of Total
General Revenue:				
Property Taxes Levied for General Operations	\$ 828,370	8.03%	\$ 765,634	7.19%
State of Michigan Aid – All Sources	6,146,896	59.57%	6,393,379	60.04%
Property Taxes Levied for Debt Service	388,010	3.76%	362,869	3.41%
Other – Federal, State and Local	910,569	8.82%	744,843	7.00%
Other – Investment Earnings, Fees	62,504	0.61%	99,144	0.93%
Total General Revenue	8,336,349	80.79%	8,365,869	78.57%
Program Revenue:				
Charges for Services – Local	189,093	1.83%	243,278	2.29%
Operating Grants – Federal and State	1,793,404	17.38%	2,038,301	19.14%
Total Program Revenue	1,982,497	19.21%	2,281,579	21.43%
Total Revenues	10,318,846	100.00%	10,647,448	100.00%
Expenses:				
Instruction and Instructional Support	6,357,923	59.42%	6,166,501	55.56%
Supporting Services	2,619,485	24.48%	3,461,139	31.18%
Public Library	71,111	0.66%	84,159	0.76%
Food Service	417,792	3.91%	416,681	3.75%
Athletic Activities	184,490	1.72%	208,656	1.88%
Interest and Fiscal Charges	303,962	2.84%	245,971	2.22%
Depreciation (Unallocated)	496,315	4.64%	512,832	4.62%
Other Transactions	248,741	2.33%	3,748	0.03%
Total Expenses	10,699,819	100.00%	11,099,687	100.00%
Changes in Net Assets	(380,973)		(452,239)	
Beginning, Net Assets	2,623,823		3,076,062	
Ending, Net Assets	\$ 2,242,850		\$ 2,623,823	

1. Property Taxes levied for General Operations (General Fund Property Taxes)

The District levies 16.4951 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

The District's non-homestead property levy for the 2007–2008 fiscal year was \$49,743,042; the non-homestead tax levy increased by 6.60% over the prior year.

The following summarizes the District's non-homestead levy the past five years:

<u>Fiscal Year</u>	<u>Non- Homestead Tax Levy</u>	<u>% Increase (Decrease) Prior Year</u>
2007 - 2008	\$ 820,516	6.60
2006 – 2007	765,634	2.47
2005 – 2006	746,749	5.52
2004 – 2005	707,649	2.21
2003 – 2004	692,395	7.09

Source: L-4029 Tax Rate Request filed with Chippewa County.

2. State of Michigan Aid, Unrestricted

The State of Michigan aid, unrestricted is determined by the following variables:

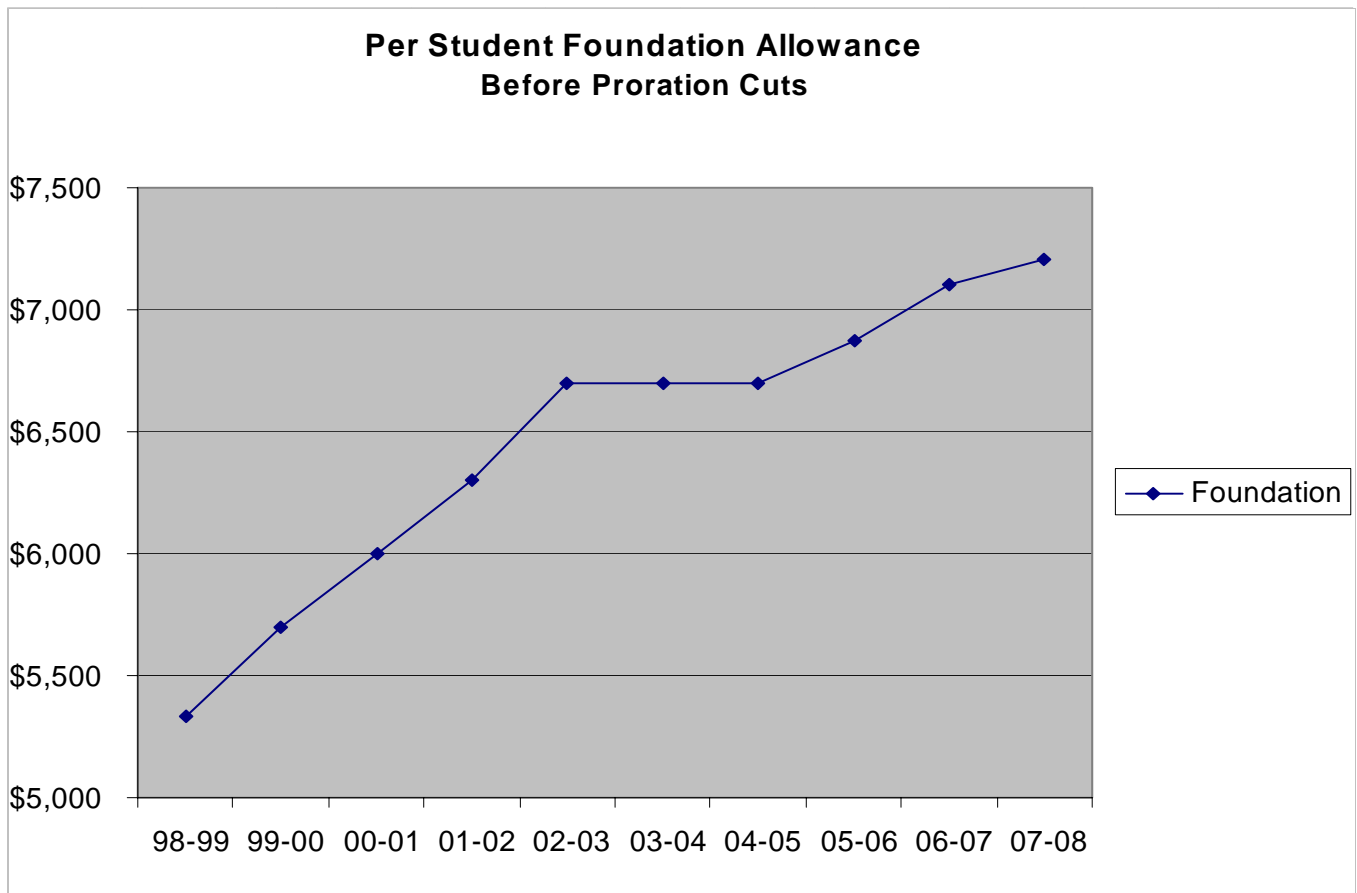
- a. State of Michigan Aid Act per student foundation allowance
- b. Student Enrollment – Blended at 75% of current year fall count and 25% of prior year winter count
- c. The District's non-homestead levy

To calculate the amount of total State of Michigan Aid received, multiply the per student foundation allowance by the blended student count; subtract the total amount of non-homestead tax collected. The result is the amount of state aid paid to the district. The more local non-homestead property taxes collected, the less state aid received.

It should also be noted that the State of Michigan often makes adjustments to prior years' payments resulting in changes to final totals.

Annually, the State of Michigan sets the per student foundation allowance. The Rudyard Area Schools foundation allowance was \$7,204 per student for the 2007–2008 school year. This is an increase of \$119 or 1.7% over District's 2006–2007 foundation allowance per student of \$7,085.

The projected foundation allowance for 2008-2009 is \$7,304.



Student Enrollment:

The District's student enrollment for the fall count of 2007-2008 was 911.28 students. The District's enrollments have gradually declined in the past five years. The following summarizes fall student enrollments and the actual foundation allowance for the past five years:

	<u>Enrollment</u>	<u>Change from Prior Year</u>	<u>Actual Foundation</u>	<u>Change from Prior Year</u>
2007 – 2008	911	(4.8 %)	7,204	1.7 %
2006 – 2007	957	(1.9 %)	7,085	3.1 %
2005 – 2006	976	(2.7 %)	6,875	2.6 %
2004 – 2005	1,003	(6.1 %)	6,700	1.1 %
2003 – 2004	1,068	(2.0 %)	6,626	(1.4 %)

3. Property Taxes levied for Debt Service:

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) in lieu of taxes that are essentially taxed at 50% of the regular tax rate.

For 2007-2008, the District's debt millage levy was 3.700 mills and generated a levy of \$385,566. As of June 30, 2008, \$11,710 of personal debt taxes was not paid to the District. The unpaid taxes represent 3.1% of the total levy.

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Rudyard Area Schools amends its budget periodically during the school year. For the fiscal year 2007-2008, the budget was amended in June 2008. The June 2008 budget amendment was the final budget for the fiscal year. The Rudyard Area Schools Board does not budget for expenditures covered by grants or for the grant revenue until an award is received. The budgets shown below exclude indirect costs.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

General Fund Expenditures Budget Vs. Actual 5-Year History

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Variance Actual & Original Budget	Variance Actual & Final Budget
2003 – 2004	\$ 9,514,314	\$ 9,695,710	\$ 9,897,089	(4.02) %	(2.08) %
2004 – 2005	9,121,444	10,123,704	10,749,679	(17.85) %	(6.19) %
2005 – 2006	9,296,681	9,687,625	9,514,389	(2.34) %	1.79 %
2006 – 2007	9,630,471	9,637,382	9,618,489	0.12 %	(2.61) %
2007 – 2008	9,301,976	9,617,190	9,548,296	2.64 %	(.73) %

General Fund Revenue Budget Vs. Actual 5-Year History

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Variance Actual & Original Budget	Variance Actual & Final Budget
2003 – 2004	\$ 9,393,444	\$ 9,726,009	\$ 9,754,996	3.85 %	0.29 %
2004 – 2005	9,443,138	9,870,995	10,029,455	6.21 %	1.61 %
2005 – 2006	9,277,956	9,759,346	9,532,733	2.75 %	(2.32) %
2006 – 2007	9,598,205	9,545,014	9,744,348	1.50 %	2.05 %
2007 – 2008	9,327,686	9,471,375	9,430,844	1.10 %	.43 %

2008 – 2009 Budget

The Preliminary Budget for the 2008-2009 Fiscal Year was adopted by the Board of Education in June 2008. Several important factors were known as the budget was being drafted, others were projected with best estimates.

Impact on Revenues:

- Use of \$39,744 of Fund Equity to compensate for lost State Aid Revenue.
- State Aid foundation increase to \$7,304 per pupil.
- Decrease in enrollment projected at 16 students.
- Decrease in Federal and State grant revenues.

Impact on Expenditures:

- Decrease in health care costs: 1.9% for BCBS due to combined Health Care with Prescription.
- Decrease retirement rate from 16.72% to 16.54%.
- Reduce staffing due to declining enrollment: 4 Teacher Aides, 2 Middle School Teachers.
- Reduced Federal and State grant expenditures.

Estimated 2008-2009 Budget:

Revenues	\$ 9,372,931
Expenditures	<u>9,412,675</u>
Excess Expenses Over Revenues	(39,744)
July 1, 2008 Fund Balance	<u>747,065</u>
Estimated June 30, 2009 Fund Balance	<u>\$ 707,321</u>

Contacting the District's Financial Management:

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Superintendent's Office of the Rudyard Area Schools at (906) 478-3771.

Basic Financial Statements

	Governmental Activities
ASSETS	
Current Assets:	
Cash and equivalents	\$ 2,125,311
Accounts receivable	71,727
Taxes receivable	37,959
Due from other governmental units	1,429,054
Inventories	57,821
Prepaid expenses	115,165
Total current assets	<u>3,837,037</u>
Capital Assets:	
Capital Assets Not Depreciated	1,369
Capital Assets Depreciated	6,331,514
Total capital assets	<u>6,332,883</u>
Total assets	<u><u>\$ 10,169,920</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	\$ 85,432
Accrued salaries and withholding	651,780
Accrued interest	60,896
Deferred revenue	163,959
Other liabilities	238,890
Lease payable - due within one year	5,748
Bonds payable- due within one year	260,888
Short term note payable	1,300,000
Total current liabilities	<u>2,767,593</u>
Noncurrent Liabilities:	
Bonds payable	4,821,478
Compensated absences payable	337,999
Total noncurrent liabilities	<u>5,159,477</u>
Total liabilities	<u>7,927,070</u>
Net Assets:	
Invested in capital assets, net of related debt	1,244,769
Restricted for debt service	552,926
Unrestricted	445,155
Total net assets	<u><u>\$ 2,242,850</u></u>

Rudyard Area Schools

Statement of Activities Year Ended June 30, 2008

		Program Revenues		Governmental
				Activities
		Charges	Operating Grants	Net (Expense)
		for	and	Revenue and
	Expenses	Services	Contributions	Changes in Net
				Assets
Functions/Programs:				
Governmental Activities:				
Instruction	\$ 5,894,075	\$ 15,660	\$ 1,429,631	\$ (4,448,784)
Instructional services	463,848	-	88,655	(375,193)
Supporting services	2,619,485	-	-	(2,619,485)
Athletic activities	184,490	39,998	-	(144,492)
Food service	417,792	130,184	267,574	(20,034)
Community services	71,111	3,251	7,544	(60,316)
Interest on long-term debt	303,962	-	-	(303,962)
Other	248,741	-	-	(248,741)
Depreciation (Unallocated)	496,315	-	-	(496,315)
Total Governmental Activities	<u>\$ 10,699,819</u>	<u>\$ 189,093</u>	<u>\$ 1,793,404</u>	(8,717,322)
General Revenues:				
Taxes				
Property taxes, levied for general operations				828,370
Property taxes, levied for debt service				388,010
State of Michigan aid, unrestricted				6,146,896
Federal impact aid				579,980
Forestry				95,988
Miscellaneous				234,601
Interest and investment earnings				62,504
Total general revenues				<u>8,336,349</u>
Changes in Net Assets				(380,973)
Net assets:				
Beginning of year				<u>2,623,823</u>
End of year				<u>\$ 2,242,850</u>

Rudyard Area Schools

Balance Sheet Governmental Funds June 30, 2008

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 1,548,535	\$ 576,776	\$ 2,125,311
Due from other governmental units	1,429,054	-	1,429,054
Due from other funds	28,739	3,844	32,583
Inventories	51,830	5,991	57,821
Accounts receivable	1,907	69,820	71,727
Taxes receivable	26,249	11,710	37,959
Prepaid expenses	115,165	-	115,165
Total Assets	<u>\$ 3,201,479</u>	<u>\$ 668,141</u>	<u>\$ 3,869,620</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Due to other funds	\$ 3,844	\$ 28,739	\$ 32,583
Short term note payable	1,300,000	-	1,300,000
Accounts payable	85,432	-	85,432
Accrued salaries and withholdings	631,390	20,390	651,780
Accrued other liabilities	238,890	-	238,890
Interest payable	42,004	-	42,004
Deferred revenue	152,854	11,105	163,959
Total liabilities	<u>2,454,414</u>	<u>60,234</u>	<u>2,514,648</u>
Fund Balance:			
Reserved for debt service	-	552,926	552,926
Unreserved and undesignated	393,532	-	393,532
Designated, public library	-	47,164	47,164
Designated, buildings	-	7,817	7,817
Designated, other	353,533	-	353,533
Total fund balances	<u>747,065</u>	<u>607,907</u>	<u>1,354,972</u>
Total liabilities and fund balances	<u>\$ 3,201,479</u>	<u>\$ 668,141</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and are not reported in the funds.

The cost of the capital assets is	\$ 17,065,452
Accumulated depreciation is	<u>(10,732,569)</u>

6,332,883

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Leases, notes and bonds payable	(5,088,114)
Compensated absences	(337,999)

Accrued interest is not included as a liability in governmental funds (18,892)

Net assets of governmental activities \$ 2,242,850

Rudyard Area Schools

Statement of Revenue, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2008

	General	Other Nonmajor Governmental Funds	Totals
REVENUES:			
Local sources	\$ 1,008,509	\$ 623,312	\$ 1,631,821
State sources	6,546,902	29,554	6,576,456
Federal sources	1,804,269	244,863	2,049,132
Interest on deposits	49,201	13,303	62,504
Total Revenues	9,408,881	911,032	10,319,913
EXPENDITURES:			
Instruction	6,086,353	-	6,086,353
Instructional services	329,740	-	329,740
Supporting services	2,661,504	-	2,661,504
Athletic activities	-	184,490	184,490
Food service	-	413,367	413,367
Community services	-	71,111	71,111
Debt service	78,768	461,566	540,334
Total expenditures	9,156,365	1,130,534	10,286,899
Excess of Revenues (Expenditures)	252,516	(219,502)	33,014
OTHER FINANCING SOURCES (USES):			
Other transactions	(223,834)	(4,524)	(228,358)
Operating transfers in	-	171,592	171,592
Operating transfers out	(171,592)	-	(171,592)
Total other financing sources (uses)	(395,426)	167,068	(228,358)
Net Changes in Fund Balances	(142,910)	(52,434)	(195,344)
Fund Balances - Beginning of year	889,975	660,341	1,550,316
Fund Balances - End of year	\$ 747,065	\$ 607,907	\$ 1,354,972

Rudyard Area Schools

Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds To the Statement of Activities Year Ended June 30, 2008

Net Changes in fund balances - total governmental funds \$ (195,344)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlays	116,784	
Current Depreciation Expense	<u>(496,315)</u>	(379,531)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal repayments:

Bond principal	225,000
Lease principal	5,456

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Miscellaneous accruals	(1,067)	
Compensated absences	(16,595)	
Accrued interest on bonds	<u>(18,892)</u>	
		<u>(36,554)</u>

Changes in net assets of governmental activities	<u>\$ (380,973)</u>
--	---------------------

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	<u>Agency</u>	<u>Private Purpose Trusts</u>
ASSETS:		
Cash and Equivalents	\$ 73,042	\$ 94,906
Due from Other Funds	28,000	-
Total Assets	<u>\$ 101,042</u>	<u>\$ 94,906</u>
LIABILITIES:		
Due to Clubs and Organizations	\$ 101,042	\$ -
Due to Other Funds	-	28,000
Total Liabilities	<u>\$ 101,042</u>	<u>28,000</u>
FUND EQUITY:		
Net Assets held in Trust for Other Purposes		<u>\$ 66,906</u>

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2008

	Private Purpose Trusts
ADDITIONS:	
Contributions	\$ 3,397
Interest on deposits	-
Total Additions	<u>3,397</u>
DEDUCTIONS:	
Scholarship Payments	-
Miscellaneous Payments	-
Total Deductions	<u>-</u>
Net Increase (Decrease)	<u>3,397</u>
Held in Trust for Other Purposes:	
NET ASSETS - Beginning of year	<u>63,509</u>
NET ASSETS - End of year	<u><u>\$ 66,906</u></u>

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Rudyard Area Schools conform to U.S. generally accepted accounting principles as applicable to School Districts. The following is a summary of the significant accounting policies:

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing relationships. Based on application of the criteria, the entity does not contain component units.

Basic Financial Statements – Government-wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.)

Note 1 - Summary of Significant Accounting Policies (Continued)

The District does not allocate indirect costs. In creating the government-wide financial statements, the District has eliminated interfund transactions.

The government-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Funds – Governmental Funds are those funds through which most School District functions typically are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The School reports the following major governmental fund:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved operating budget.

Additionally, the School reports the following funds:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund, Public Library, and Food Services Fund.

Debt Service Funds – The Debt Service Funds are used to record tax and interest revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Funds – The Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designed for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Activities (Agency) Fund – The School District presently maintains a Student Activities Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Private Purpose (Scholarship) Funds – The District maintains scholarship funds for future beneficiaries.

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates the timing of the measurements made regardless of the measurement focus and the governmental wide statement uses the economic resources measurement focus.

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that the principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants, and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Note 1 - Summary of Significant Accounting Policies (Continued)

For Rudyard Area Schools taxpayers properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100% of the taxes. Interest accrues effective August 1st and becomes delinquent the following March 1st.

The tax rates for the year ended June 30, 2008, are as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General Fund	16.4951 per \$1,000 taxable value (Non-Homestead Property Only)
Debt – 1999 Bond Issue	3.70 per \$1,000 taxable value (Homestead and Non-Homestead Property)

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received. The District utilizes restricted resources before unrestricted resources.

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost. Investments are stated at fair value.

Receivable and Payables – Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Note 1 - Summary of Significant Accounting Policies (Continued)

Inventories – Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The Food Services Fund inventory consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

Capital Assets – Capital assets, which include land, buildings, furniture, and equipment, are reported in the governmental activities column in the school-wide financial statements. Capital assets are defined by the school as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Land Improvements	20-50 years
Buildings	30-50 years
Building Improvements	5-20 years
Equipment	5-20 years
Buses	5-10 years
Vehicles	5-10 years
Furniture	5-20 years
Software	2-5 years

Compensated Absences – The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated annual and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, during the current period.

Note 1 - Summary of Significant Accounting Policies (Continued)

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Budgets

The School District formally adopted General Fund and Special Revenue Funds budgets by function for the fiscal year ended June 30, 2008. Expenditures at this level in excess of amounts budgeted is a violation of Michigan law. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with U.S. generally accepted accounting principles.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplementary Information.

Budget Violations – Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by significant amounts are as follows:

<u>Fund/Function</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
General Fund:			
Fund Modifications	\$ 171,593	\$ 147,430	\$ (24,163)
Public Library	71,111	67,550	(3,561)
Food Services	417,891	405,040	(12,851)

Note 3 - Deposits and Investments
Deposits

At year end, the School's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Equivalents	\$ <u>2,125,311</u>	\$ <u>167,948</u>	\$ <u>2,293,259</u>

The School's deposits are deposited in local financial institutions. Deposits are carried at cost.

Note 3 - Deposits and Investments (Continued)

The breakdown between cash components is as follows:

	<u>Primary Government</u>
Cash on Hand	\$ 485
Bank Deposits (checking and savings accounts)	1,195,714
Investments in Mutual Funds	1,042,460
Investments in Annuities	<u>54,600</u>
	<u>\$ 2,293,259</u>

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The School's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The School's policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less.

Custodial investment credit risk. Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the School's \$1,178,145 investments, \$1,178,145 are not in the name of the School, but in the name of the agent. \$54,600 is in the name of the Scholarship Fund.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. State law does not require and the School does not have a policy for deposit custodial credit risk. As of year end, \$1,282,836 of the School's bank balance of \$1,409,042 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan laws compiled Section 129.91, authorizes the School District to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.

Note 3 - Deposits and Investments (Continued)

- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at this time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchase through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150. The Districts deposits are in accordance with state statutes.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Investments:					
Mutual Funds	\$ 1,042,460	\$ 1,042,460	\$ -	\$ -	\$ -
Total Investments:	\$ 1,042,460	\$ 1,042,460	\$ -	\$ -	\$ -

Note 4 - Capital Assets

A summary of changes in governmental capital assets follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Balance June 30, 2008</u>
Capital Assets Not Depreciated:				
Land	\$ 1,369	\$ -	\$ -	\$ 1,369
Total Assets Not Depreciated	1,369	-	-	1,369
Capital Assets Depreciated:				
Land Improvements	134,173	19,488	-	153,661
Buildings and Improvements	12,973,231	-	-	12,973,231
Equipment	2,345,498	5,880	-	2,351,378
Furniture and Fixtures	427,848	-	-	427,848
Transportation and Other	1,066,469	91,496	-	1,157,965
Total Assets Depreciated	16,947,219	116,864	-	17,064,083

Note 4 - Capital Assets (Continued)

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Balance June 30, 2008</u>
Less Accumulated Depreciation for:				
Land Improvements	(33,037)	(7,601)	-	(40,638)
Buildings and Improvements	(7,261,424)	(245,043)	-	(7,506,467)
Equipment	(1,914,211)	(152,288)	-	(2,066,499)
Furniture and Fixtures	(199,273)	(29,238)	-	(228,511)
Transportation and Other	<u>(828,309)</u>	<u>(62,145)</u>	<u>-</u>	<u>(890,454)</u>
Subtotal	<u>(10,236,254)</u>	<u>(496,315)</u>	<u>-</u>	<u>(10,732,569)</u>
Net Capital Assets Depreciated	<u>6,710,965</u>	<u>(379,451)</u>	<u>-</u>	<u>6,331,514</u>
Total Net Capital Assets	<u>\$ 6,712,334</u>	<u>\$ (379,451)</u>	<u>\$ -</u>	<u>\$ 6,332,883</u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$496,315. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Note 5 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Bond obligation activity is summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:							
General Obligation Bonds							
1998 Durant Bonds	3.431%	2013	\$ 52,366	\$ -	\$ -	\$ 52,366	\$ 5,888
1999 School Building and Site Bonds	4.20% to 4.65%	2021	5,255,000	-	225,000	5,030,000	255,000
Accrued Employee Benefits			<u>321,404</u>	<u>16,595</u>	<u>-</u>	<u>337,999</u>	<u>-</u>
Total Governmental Activities			<u>\$ 5,628,770</u>	<u>\$ 16,595</u>	<u>\$ 225,000</u>	<u>\$ 5,420,365</u>	<u>\$ 260,888</u>

Note 5 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 255,000	\$ 227,241
2010	288,291	212,610
2011	357,878	202,831
2012	360,504	186,930
2013-2017	2,100,693	642,581
2018-2021	<u>1,720,000</u>	<u>159,746</u>
Total	<u>\$ 5,082,366</u>	<u>\$ 1,631,939</u>

At June 30, 2008, the School's Long-Term Debt consisted of the following:

Series 1998 Durant Bonds *

Rudyard Area Schools elected to bond and received a lump sum amount of \$83,850. Annual installments are due in varying amounts between \$5,888 and \$39,562 through May 15, 2013, including interest at 3.431% per annum. \$ 52,366

General Obligation – Unlimited Tax Bonds

1999 School Building and Site Bonds due in annual installments of \$225,000 to \$430,000 through May 1, 2021, with interest varying from 4.20% to 4.65% per annum. 5,030,000

* An annual State of Michigan appropriation remits the debt service payments; however, the Bonds shall not be in any way a debt or liability of the State of Michigan. If the Michigan legislature fails to appropriate the funds, the School District is under no obligation for payment.

Note 6 - Short-Term Debt

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Within One Year</u>
State Aid Note, \$47,840 interest 3.68%, secured by State Aid revenue, due August 2008.	<u>\$ 1,500,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,300,000</u>

Note 6 - Pension

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer, defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 489019-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.72% for the period July 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were \$827,933 \$943,500, and \$844,424, respectively, and were equal to the required contribution for those years.

Post Employment Benefits – Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

Note 7 - Interfund Receivable and Payables, and Transfers

The School District reports interfund balances between its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

		DUE TO OTHER FUNDS		
DUE FROM OTHER FUNDS		General Fund	All Others	Totals
	General Fund	\$ -	\$ 3,844	\$ 3,844
	All Others	28,739	-	28,739
	Total	<u>\$ 28,739</u>	<u>\$ 3,844</u>	<u>\$ 32,583</u>

Note 7 - Interfund Receivable and Payables, and Transfers (Continued)

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers:

		TRANSFERS OUT	
		General Fund	Totals
TRANSFERS IN	Nonmajor	\$ 171,592	\$ 171,592
	Total	\$ 171,592	\$ 171,592

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 8 - Risk Management

The School District is exposed to risks of loss related to property loss, torts, errors, and omissions, employee injuries (worker's compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims and participates in the SET/SEG (risk pool) for claims relating to worker's compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for School Districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Commitments and Contingencies
Grants

The School District has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School District at June 30, 2008.

Note 9 - Commitments and Contingencies (Continued)

On June 17, 2008, the Board executed a lease for the purchase of copy machines. Terms of the lease included monthly payments of \$703 through June 2013. Commitment under the lease terms are as follows:

<u>Year Ended June 30</u>	<u>Lease Obligation</u>
2009	\$ 8,438
2010	8,438
2011	8,438
2012	8,438
2013	<u>8,554</u>
Total payments	\$ 42,306
Interest amount	<u>(4,343)</u>
Net Lease	\$ 37,963

Note 10 - Due From Other Governmental Units

Amounts due from other governmental units consist of \$1,429,054 in revenues due from state and federal sources. These revenues represent amounts used for the operation of special programs and grant projects, as well as for the final payment of 2008 state aid, which was not received until after year end due to a change in the state aid payment schedule.

Note 11 - Leases

The District has executed a noncancelable operating lease for equipment as follows:

Interest Rate	5.4%
Cost	\$ 27,360
Term	4 years
Yearly Payment	\$ 6,061
	<u>Total</u>
	<u>Payments</u>
2008	\$ 6,061
Amount representing interest	<u>(313)</u>
Minimum Lease Value	<u>\$ 5,748</u>

Note 12 - Fund Equity Designations/Reservations

Fund equity designations and reservations are as follows:

General Fund	\$	115,165	Designated for Prepaid
		51,830	Designated for Inventory
		87,510	Designated for Forestry
		99,028	Designated for B & S
Debt Service		552,926	Reserved for Bond Activity

Note 13 - Subsequent Events

The Board enacted a resolution authorizing the issuance of notes in anticipation of state school aid through the Michigan Municipal Bond Authority for the fiscal 2008/2009 school year. The amount of the borrowing cannot exceed \$1,400,000 with an estimated interest rate of 5%. The notes mature on August 20, 2009.

Note 14 - Related Parties

The School has executed purchases of supplies from a corporation which a School Board member is a primary shareholder of. Purchases amounted to approximately \$42,000 during the fiscal year.

Required Supplementary Information

Rudyard Area Schools**Other Supplementary Information
General Fund
Schedule of Revenue - Budget and Actual
Year Ended June 30, 2008**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>
Revenue:			
Local Sources:			
Property Taxes	\$ 828,370	\$ 818,830	\$ 830,055
Earnings on Deposits and Investments	49,201	65,000	55,000
Refunds & Reimbursements	30,448	30,030	43,000
USF Funds	14,024	32,000	32,000
2% Compact	9,208	-	-
Other Local Revenues	126,459	74,696	83,725
	<u>1,057,710</u>	<u>1,020,556</u>	<u>1,043,780</u>
Total Local Sources			
State Sources:			
Foundation Grant	6,146,896	6,251,022	6,140,992
At Risk Categorical	280,126	293,863	291,240
Durant 1/10th Payment	8,385	8,385	8,385
Michigan School Readiness	111,495	110,063	111,970
	<u>6,546,902</u>	<u>6,663,333</u>	<u>6,552,587</u>
Total State Sources			
Federal Sources:			
Title I	333,461	388,308	326,816
Rural Health	11,067	-	10,600
RTI Grant	269,670	313,212	268,775
RLIP Grant	9,775	-	15,229
21st Century Grant	46,005	46,005	46,005
STAND Grant	111,733	128,280	170,765
Impact Aid	579,980	300,000	583,600
Title IX indian education	81,303	88,269	88,269
Special Education	182,973	173,500	185,241
Title V LEA	7,683	12,507	7,414
Title II	74,631	93,428	77,294
National Forest Reserve	95,988	100,470	95,000
	<u>1,804,269</u>	<u>1,643,979</u>	<u>1,875,008</u>
Total Federal Sources			
Total Revenue	<u>\$ 9,408,881</u>	<u>\$ 9,327,868</u>	<u>\$ 9,471,375</u>

Rudyard Area Schools

Other Supplementary Information General Fund Schedule of Expenditures - Budget and Actual Year Ended June 30, 2008

	Actual	Original Budget	Final Budget
Expenditures:			
Instruction:			
Elementary	\$ 1,121,982	\$ 1,212,958	\$ 1,121,226
Middle School	1,652,988	1,393,336	1,661,947
High School	1,368,267	1,376,811	1,382,089
Pre-School	111,495	105,600	111,970
Special Education	574,946	556,151	576,579
Compensatory Education	1,256,675	1,238,556	1,291,807
Total Instruction	6,086,353	5,883,412	6,145,618
Instructional Services:			
Health Services	66,556	53,722	67,816
Guidance Services	82,951	82,951	82,602
Rpt	36,969	34,093	37,070
Educational Media Services	60,787	67,277	61,839
Computer Assisted Instruction	82,477	120,100	87,591
Total Instructional Services	329,740	358,143	336,918
Supporting Services:			
Board of Education	59,255	58,379	59,361
Executive Administration	173,100	173,640	176,576
Office of the Principal	574,300	588,464	567,713
Fiscal Services	151,041	128,903	154,319
Other Business Services	120,998	163,764	137,024
Building Services	955,969	985,732	962,312
Pupil Transportation Services	701,273	507,636	704,059
Other Central Services	4,336	-	4,200
Total Supporting Services	2,740,272	2,606,518	2,765,564
Other Financing Sources (Uses):			
Transfers to Other	223,834	264,412	221,660
Transfers Out	171,592	189,491	147,430
Total Other Financing Sources (Uses):	395,426	453,903	369,090
Total Expenditures and Other Financing Sources (Uses)	9,551,791	9,301,976	9,617,190
Fund Balance - Beginning	889,975	889,975	889,975
Available for Appropriation	\$ 10,441,766	\$ 10,191,951	\$ 10,507,165

Other Supplementary Information

Rudyard Area Schools

Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue Funds			Debt Service Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Public Library	Athletic	Food Service	1989 Bond Debt Service	1999 Bond Debt Service	Building and Site	Building Renovations	
ASSETS:								
Cash and equivalents	\$ 10,547	\$ 1,414	\$ -	\$ 313,111	\$ 239,396	\$ 10,011	\$ 2,297	\$ 576,776
Accounts receivable	58,733	-	11,087	-	-	-	-	69,820
Taxes receivable	-	-	-	4,756	6,954	-	-	11,710
Inventory	-	-	5,991	-	-	-	-	5,991
Due from other funds	-	3,844	-	-	-	-	-	3,844
TOTAL ASSETS	\$ 69,280	\$ 5,258	\$ 17,078	\$ 317,867	\$ 246,350	\$ 10,011	\$ 2,297	\$ 668,141
LIABILITIES:								
Due to other funds	\$ 15,939	\$ 5,258	\$ 2,865	\$ -	\$ 186	\$ 4,491	\$ -	\$ 28,739
Accrued salaries and withholdings	6,177	-	14,213	-	-	-	-	20,390
Deferred revenue	-	-	-	4,756	6,349	-	-	11,105
TOTAL LIABILITIES	22,116	5,258	17,078	4,756	6,535	4,491	-	60,234
FUND EQUITY:								
Fund Balance:								
Designated	47,164	-	-	313,111	239,815	5,520	2,297	607,907
TOTAL LIABILITIES AND FUND EQUITY	\$ 69,280	\$ 5,258	\$ 17,078	\$ 317,867	\$ 246,350	\$ 10,011	\$ 2,297	\$ 668,141

Rudyard Area Schools

Other Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2008

	Special Revenue Funds			Debt Service Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Public Library	Athletic	Food Service	1989 Bond Debt Service	1999 Bond Debt Service	Building and Site	Building Renovations	
REVENUES:								
Interest on Deposits	\$ -	\$ 68	\$ -	\$ 10,174	\$ 2,986	\$ -	\$ 75	\$ 13,303
Local Sources:								
Taxes	-	-	-	-	388,010	-	-	388,010
Other	61,297	42,893	130,184	-	928	-	-	235,302
State Sources	6,844	-	22,710	-	-	-	-	29,554
Federal Sources	-	-	244,863	-	-	-	-	244,863
TOTAL REVENUES	68,141	42,961	397,757	10,174	391,924	-	75	911,032
EXPENDITURES:								
Community Enrichment	71,111	-	-	-	-	-	-	71,111
Athletic Activities	-	184,490	-	-	-	-	-	184,490
Food Services	-	-	413,367	-	-	-	-	413,367
Debt Service:								
Principal	-	-	-	-	225,000	-	-	225,000
Interest and Fees	-	-	-	150	236,308	-	108	236,566
TOTAL EXPENDITURES	71,111	184,490	413,367	150	461,308	-	108	1,130,534
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,970)	(141,529)	(15,610)	10,024	(69,384)	-	(33)	(219,502)
OTHER FINANCING SOURCES:								
Other Transactions	-	-	(4,524)	-	-	-	-	(4,524)
Operating Transfers In	-	151,274	20,318	-	-	-	-	171,592
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(2,970)	9,745	184	10,024	(69,384)	-	(33)	(52,434)
FUND BALANCES, JULY 1	50,134	(9,745)	(184)	303,087	309,199	5,520	2,330	660,341
FUND BALANCES, JUNE 30	\$ 47,164	\$ -	\$ -	\$ 313,111	\$ 239,815	\$ 5,520	\$ 2,297	\$ 607,907

Rudyard Area Schools

School Activity (Agency) Fund Statement of Changes in Assets and Liabilities - Detail Year Ended June 30, 2008

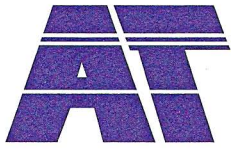
	Balance July 1, 2007	Additions	Subtractions	Balance June 30, 2008
ASSETS:				
Cash and Equivalents	\$ 90,636	\$ 126,109	\$ 143,703	\$ 73,042
Due from Trust Funds	28,000	-	-	28,000
TOTAL ASSETS	\$ 118,636	\$ 126,109	\$ 143,703	\$ 101,042
LIABILITIES:				
Due to General Fund	\$ -	\$ 6,456	\$ 9,612	(3,156)
Art	4,411	715	1,072	4,054
School Store	1,487	4,560	3,719	2,328
Band	2,352	3,791	2,359	3,784
Boys Track	159	-	-	159
Boys Varsity Basketball	431	-	350	81
Cheerleaders	138	-	-	138
Chorus	1,140	173	1,044	269
Cross Country	1,664	1,212	1,864	1,012
Baseball	(1,497)	9,229	4,733	2,999
Drama	2,923	1,345	1,345	2,923
FFA	152	-	-	152
FHA	143	-	-	143
Girls Track	(106)	-	-	(106)
French Club	22	-	1	21
Fine Arts	11,026	5,721	2,648	14,099
Girls Basketball	1,520	579	-	2,099
Girls Softball	1,334	-	827	507
Golf	720	-	-	720
Health Careers	(112)	-	-	(112)
Jeff Dickenson Memorial	5	-	-	5
Library Auxiliary Fund	3,623	9,330	6,856	6,097
Middle School Drama	1,354	1,534	977	1,911
Middle School Project Close Up	(1,153)	-	-	(1,153)
Middle School Student Council	3,967	1,471	3,494	1,944
National Honor Society	45	713	352	406
New Scoreboard	311	-	-	311
Personal Living	(69)	-	-	(69)
Project Close Up	1,018	387	200	1,205
RAS Athletics Memorial	(289)	-	-	(289)
SADD	1,160	433	961	632
School Newspaper	335	58	-	393
Shop	3,182	88	1,629	1,641
Spirit Team	(106)	-	-	(106)
Stand	377	-	1	376
High School Student Council	3,280	1,604	1,572	3,312
Swim Club	1,304	2,277	1,700	1,881
Teachers Flower Fund	(1,174)	44	568	(1,698)
Varsity Club	2,771	228	1,746	1,253
Varsity Football	(1)	1,610	2,120	(511)
JV & Varsity Girls Volleyball	98	1,835	1,217	716
Wrestling	3,251	572	1,908	1,915
6th Grad Alt Program	(1,716)	-	-	(1,716)
Elem Boys BB	789	-	-	789

Rudyard Area Schools

School Activity (Agency) Fund Statement of Changes in Assets and Liabilities - Detail Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Subtractions	Balance June 30, 2008
Class of 2011	-	4,299	1,004	3,295
Class of 1996	195	-	-	195
Class of 1997	3,149	-	3,149	-
Class of 1999	2,801	-	-	2,801
Class of 2000	81	-	-	81
Class of 2002	2,123	-	-	2,123
Class of 2003	1,648	-	-	1,648
Class of 2004	1,675	-	-	1,675
RAS Sports Booster	276	656	4,153	(3,221)
Revolving Loan Fund	(780)	5,246	7,773	(3,307)
Class of 2006	677	-	-	677
Theater Art	272	-	-	272
Class of 2005	4,872	1	-	4,873
Class of 2007	3,826	43	1,642	2,227
Ski Club	2,460	-	-	2,460
Senior Celebration	2,124	14,034	13,429	2,729
Soccer	367	-	-	367
Yearbook	564	9,363	4,065	5,862
Class of 2008	10,505	23,746	31,838	2,413
Class of 2009	9,014	2,709	2,255	9,468
Class of 2010	4,036	723	523	4,236
Class of 2013	120	-	-	120
RAS 100 Club	2,738	1,553	2,317	1,974
Young Authors Club	1,745	100	151	1,694
RJW Playground Fund	2,425	325	7,997	(5,247)
Interest Payable	8,061	4,425	4,900	7,586
8th Grade Pub	1,902	2,921	3,234	1,589
Weight Room	133	-	-	133
Midnight Madness	1,358	-	398	960
	<u>\$ 118,636</u>	<u>\$ 126,109</u>	<u>\$ 143,703</u>	<u>\$ 101,042</u>
TOTAL LIABILITIES				

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AND AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

To the Members of the
Board of Education
Rudyard Area Schools
Rudyard, Michigan 49780

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Rudyard Area Schools, as of and for the year ended June 30, 2008, which collectively comprise Rudyard Area School's basic financial statements and have issued our report thereon, dated August 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the Michigan School Auditing Manual, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rudyard Area School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as 08-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Rudyard Area Schools in a separate letter dated August 21, 2008.

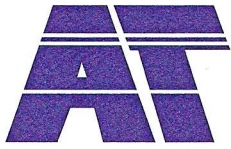
The School's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 21, 2008



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Members of the
Board of Education
Rudyard Area Schools
Rudyard, Michigan 49780

Compliance

We have audited the compliance of Rudyard Area Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, Rudyard Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs as items 08-2 and 08-3.

Internal Control Over Compliance

The management of Rudyard Area Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Rudyard Area School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's, internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, as described below.

A control deficiency in a School's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiency described in the accompanying schedule of findings and question costs as item 08-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Rudyard Area School's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

Rudyard Area Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through/Program Title	Federal CFDA Number	Project Number	Approved Award/Grant Amount	Prior Year Expenditures	Accrued (Deferred) Revenue June 30, 2007	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2008
U.S. DEPARTMENT OF AGRICULTURE								
<i>Passed through State of Michigan Department of Education (MDE):</i>								
Entitlement Commodities	10.550	-	\$ 21,817	\$ 21,817	\$ -	\$ 21,817	\$ 20,623	(1,194)
National School Lunch Program - Breakfast	10.553	071970	51,887	51,887	-	5,062	5,062	-
National School Lunch Program - Breakfast	10.553	081970	43,625	-	-	43,625	43,625	-
National School Lunch Program - All lunches	10.555	081950	20,531	-	-	20,531	20,531	-
National School Lunch Program - Free & Reduced	10.555	081960	126,689	-	-	126,689	126,689	-
National School Lunch Program - All lunches	10.555	071960	141,803	141,803	-	14,722	14,722	-
National School Lunch Program - All lunches	10.555	071950	26,021	25,169	-	2,527	2,527	-
National School Lunch Program - Snacks	10.555	081980	520	-	-	520	520	-
National School Lunch Program - Snacks	10.555	071980	4,329	4,329	-	340	340	-
Child Care Food Program Meals	10.558	081920	9,503	-	-	9,503	9,503	-
Child Care Food Program CIL	10.558	082010	721	-	-	721	721	-
Subtotal - Child Nutrition Cluster			425,629	223,188	-	224,240	224,240	-
<i>Passed through Chippewa/Mackinac Counties:</i>								
Schools and Roads Grant	10.665	N/A	95,988	-	-	95,988	95,988	-
Total - U.S. Department of Agriculture			543,434	245,005	-	342,045	340,851	(1,194)
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES								
<i>Passed through Eastern Upper Peninsula Intermediate School District (EUPISD):</i>								
Rural Health Services Outreach Program	93.912	D04RH07915	13,321	-	-	6,145	11,067	4,922
Total - U.S. Department of Health & Human Services			13,321	-	-	6,145	11,067	4,922
U.S. DEPARTMENT OF EDUCATION								
<i>Direct Awards:</i>								
Indian Education - LEA 07-08 Regular	84.060	B060A050047	81,303	-	10,703	82,618	81,303	9,388
Safe & Drug Free Schools and Communities	84.184	Q184A040088	611,513	440,748	46,832	158,565	111,733	-
Elementary & Secondary School Counseling	84.215	Q215E060246	313,212	202,624	-	268,253	269,670	1,417
Impact Aid	84.041		609,338	-	24,300	633,638	548,048	(61,290)
Impact Aid	84.041		510,946	479,014	(31,932)	-	31,932	-
Total Direct Awards			2,126,312	1,122,386	49,903	1,143,074	1,042,686	(50,485)

Rudyard Area Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through/Program Title	Federal CFDA Number	Project Number	Approved Award/Grant Amount	Prior Year Expenditures	Accrued (Deferred) Revenue June 30, 2007	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2008
U.S. DEPARTMENT OF EDUCATION (Continued)								
<i>Passed through State of Michigan Department of Education (MDE):</i>								
Title I, Part A - 2008 Regular	84.010	081530 0708	354,190	-	(39,655)	221,733	333,461	72,073
Title I, Part A - 2007 Regular	84.010	071530 0607	317,693	294,397	66,231	66,231	-	-
Title I, Part A - 2006 Regular	84.010	061530 0607	9,666	9,666	393	393	-	-
Subtotal - Title I			681,549	304,063	26,969	288,357	333,461	72,073
Title VI, Part B, Subpart 2	83.358	080660 0708	29,028	-	(2,056)	6,529	9,775	1,190
Title V - LEA Allocation	84.298	070250 0607	4,176	292	(254)	(254)	-	-
Title V - LEA Allocation	84.298	080250 0708	8,085	-	-	6,658	7,683	1,025
Subtotal - LEA Allocation			12,261	292	(254)	6,404	7,683	1,025
Title II, Part D - Enhancing Education Through Technology	84.318	054290 0405	8,944	-	8,944	8,944	-	-
Title II, Part D - Enhancing Education Through Technology	84.318	084290 0708	4,025	-	59	1,638	1,696	117
Title II, Part D - Enhancing Education Through Technology	84.318	074290 0607	3,261	-	-	1	1	-
Subtotal - Title II, Part D			16,230	-	9,003	10,583	1,697	117
Improving Teacher Quality	84.367	080520 0708	87,954	-	1,941	59,010	72,934	15,865
Improving Teacher Quality	84.367	070520 0607	84,949	81,771	11,083	11,083	-	-
Subtotal - Improving Teacher Quality			172,903	81,771	13,024	70,093	72,934	15,865
Subtotal - MDE			911,971	386,126	46,686	381,966	425,550	90,270
<i>Passed through Eastern Upper Peninsula Intermediate School District (EUPISD):</i>								
Handicapped Persons Title VI - B:								
Flowthrough	84.027	050450-0405	158,597	-	(6,337)	(6,337)	-	-
Flowthrough	84.027	060450-0506	149,716	-	(6,484)	(6,484)	-	-
Flowthrough	84.027	070450-0607	183,312	173,681	52,571	62,132	9,631	70
Flowthrough	84.027	080450-0708	173,342	-	-	112,609	173,342	60,733
Subtotal - Title VI-B			664,967	173,681	39,750	161,920	182,973	60,803
21st Century Community Learning Center	84.287	082110/04-28	46,005	-	-	46,005	46,005	-
Total - EUPISD			710,972	173,681	39,750	207,925	228,978	60,803
Total - U.S. Department of Education			3,749,255	1,682,193	136,339	1,732,965	1,697,214	100,588
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,306,010</u>	<u>\$ 1,927,198</u>	<u>\$ 136,339</u>	<u>\$ 2,081,155</u>	<u>\$ 2,049,132</u>	<u>\$ 104,316</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rudyard Area Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Oversight Agency

The U.S. Department of Education is the oversight agency of the School District, as this federal agency provided the largest amount of indirect and direct federal funding.

Note C - Food Distribution

Non-monetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. Entitlement donated commodities used during the year amounted to \$20,623, with ending inventory amounting to \$1,194. Bonus donated commodities used during the year amounted to \$0, with ending inventory amounting to \$0.

Note D - Reconciliation of Current Receipts to Grant Report Payments:

Grant Auditor's Report	\$	396,914
Payments per Form R7120		224,240
Grant Report Errors		(14,948)
Pass thru Grants:		
EUPISD		214,070
Direct Awards:		
US Department of Education		1,143,074
US Department of Agriculture		<u>117,805</u>
	\$	<u>2,081,155</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs:**CFDA Numbers**

84.010
84.041

Name of Federal Program

Title I – Part A
Impact Aid

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings***Noncompliance with State Statutes*****Expenditures in Excess of Appropriations*****Finding 08-1***

State of Condition/Criteria: Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended June 30, 2008, the School incurred expenditures in excess of amounts appropriated as follows:

<u>Fund/Function</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
General Fund:			
Fund Modifications	\$ 171,592	\$ 147,430	\$ (24,163)
Public Library	71,111	67,550	(3,561)
Food Services	417,891	405,040	(12,851)

Effect: The School has not complied with various State Statutes.

Cause of Condition: Unknown.

Recommendation: The Board should monitor and amend the budget as deemed necessary.

- Contact Person(s) Responsible for Correction:
Nathan Bootz, Superintendent
- Corrective Action Planned:
The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
The corrective procedures are in place.

Section III – Federal Award Findings and Questioned Costs

Significant Deficiencies – Noncompliance with Federal Regulation

Payroll Allocation

Finding 08-2

Program: Title I – Part A; CFDA No. 84.010; U.S. Department of Education; Pass-through program from Michigan Department of Education.

Criteria: OMB Circular A-87 “Cost principles for State, Local, and Indian Tribal Governments,” requires time/salaries spent working on federal programs be documented for co-funded and 100% funded staff.

Condition: The School District did not allocate salaries based on payroll certifications and actual time allocations for the Title I – Part A program in accordance with documentation requirements. The School District payroll distribution did not utilize the documented time allocation percentage/certification.

Effect: The School District could be incorrectly charging employee salaries to a federal program.

Cause: Unknown.

Recommendation: The School District should review all wage allocations semi annually to assure proper distributions occur and are based on up accepted time allocation methods according to OMB Circular A-87 as listed on the wage certifications.

- Contact Person(s) Responsible for Correction:
Nathan Bootz, Superintendent
- Corrective Action Planned:
The School will review the payroll distributions for the 2007-2008 school year.
- Anticipated Completion Date:
The corrective procedures are in place.

Section III – Federal Award Findings and Questioned Costs (Continued)

Significant Deficiencies – Noncompliance with Federal Regulation

Staff Qualifications

Finding 08-3

Program: Title I – Part A; CFDA No. 84.010; U.S. Department of Education; Pass-through program from Michigan Department of Education.

Criteria: Staff hired after 2002 for Title I programs must meet the requirements listed in the regulations for being considered “highly qualified,” which includes documentation for passing a formal assessment of knowledge and ability to assist in instructing reading, writing and mathematics.

Condition: The School District did retain documentation showing compliance with the *Criteria* for a paraprofessional instructor.

Effect: The School District could be violating provisions of the above stated regulations resulting in disallowed costs for the program.

Cause: Unknown.

Recommendation: The School District should review paraprofessional assessment requirements to determine if the qualifications apply to specific paraprofessionals only. If the sole duties are parental involvement, personal care, computer technical services or clerical functions, the qualifications do not apply. If the requirements do apply, documentation should be obtained.

- Contact Person(s) Responsible for Correction:
Nathan Bootz, Superintendent
- Corrective Action Planned:
The School will review files for the 2007-2008 school year.
- Anticipated Completion Date:
The corrective procedures are in place.

Section II – Financial Statement Findings

**Lack of Adequate Internal Control Over
Payroll Reporting and Remittance Process**

Finding 07-1

Management is responsible for establishing and maintaining internal controls over payroll reporting and remittance process which includes correct posting to accounts within the general ledger, correct reporting to other units of government through the use of retirement reports and 941 reports, and the correct and timely remittance of amounts due for payroll taxes and retirement amounts.

The School District currently does have an effective internal control to ensure the payroll reporting process is functioning properly.

This condition was caused in part by lack of the time needed by the business office to implement a control system that was recommended to them in the past, due to other job responsibilities that were deemed to be more important than the implementation of the proper controls and the monitoring of those controls.

The effect of this condition is that an environment is created in which the potential exists for improper postings within the general ledger, as well as the potential for untimely reporting or remittance of required amounts due to other agencies. In July 2007, it was determined that the district had been paying an incorrect retirement amount to the State since October 2006.

(View of Responsible Official) – The School District is in the process of evaluating and implementing internal controls to correct or mitigate this situation in the future.

Status: Corrected.

**Lack of Adequate Controls to Produce
Full Disclosure GAAP Basis Financial Statements**

Finding 07-2

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

Section II – Financial Statement Findings (Continued)

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

(View of Responsible Official) - The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its internal auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Status: Footnotes and other financial statements were prepared by District Personnel.

**Lack of Adequate Controls to Timely Record,
Process and Summarize Accounting Data**

Finding 07-3

Management is responsible for ensuring that a reliable system exists for recording, processing, and summarizing accounting data.

The District utilizes a computerized accounting software program to assist with this requirement. The District's computerized system does not consistently process transactions in a manner expected by the District. As such, the reliability of the data produced by the system must be continuously verified by the business office, and the business office does not always have the time to adequately verify the data before closing the accounting month.

This condition was caused by one or more of the following factors: the original set-up of the software was not properly done; the annual maintenance to the system was not properly done; data was input into the system in an incorrect manner. The District does not have anyone on staff with the ability to diagnose and solve the problems.

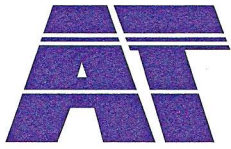
As a result of the condition, significant resources are used throughout the year and at year end in an effort to mitigate the effect of unreliable data. While the extra effort of the mitigating controls reduces the significance of the deficiency to a level below a material weakness, the business office does not always have the time to adequately verify the data. This lack of a consistently applied internal control raises the risk that the District's computerized system will not process transaction in a manner expected by the District, and that those problems may not be timely identified and corrected by the District.

(View of Responsible Official) – The District is aware of this limitation and is in the process of evaluating options. These options include potentially obtaining outside technical assistance to determine the root cause of the problems and implementing new controls to correct or mitigate this situation in the future.

Status: The District utilized an outside accounting consultant to mitigate and correct these issues.

Section III – Federal Award Findings and Questioned Costs

NONE.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Superintendent and Members
of the Board of Education
Rudyard Area Schools
Rudyard, Michigan 49780

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rudyard Area Schools for the year ended June 30, 2008, and have issued our report thereon dated August 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated June 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Rudyard Area School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Rudyard Area School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Rudyard Area School's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the Rudyard Area School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Rudyard Area School's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 29, 2008.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Rudyard Area Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 21, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

Credit Card Policy (Prior Year)

During the audit, we found that the District has certain employees using a credit card, but that no official card policy exists. We recommend the District adopt a credit card policy.

Status: Corrected.

Payroll Approvals

Extra curricular pays are remitted for Fall sports, cash in lieu of benefits, Winter sports, Spring sports and vacation and sick payments. The Board may want to consider approval of these types of compensation payments since they are not part of the normal payroll approval for disbursements by the Board. Additionally, the Board should indicate approval of all payrolls during the period in the Board minutes. Direct deposit of payroll documentation should indicate approvals.

Scholarship Trust Activity

The Board should implement procedures and reporting for the scholarship trust funds at least annually and including the activity in the general ledger. The scholarship personnel should maintain a register listing donations, interest, scholarships paid and other expenses. These amounts should be reconciled regularly to the bank or investment statements as well. The Board may want to consider transferring these funds to the Chippewa County Community Foundation for administration since these accounts are not a direct school responsibility.

Check Copies

Due to changes in bank practices, the District has not received cancelled checks but has access to check images for only 90 days. The Michigan Department of Treasury Bulletin requires that check copies be retained in accordance with State guidelines and to assure proper clearing of amounts by the financial institutions. Additionally, a review of check images for proper payee, amounts and signatures reduces fraud risk to the organization.

Fraud Policy

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The board does not have a policy which would address fraud or suspected fraud and related actions to be implemented. We recommend the Board adopt a fraud policy to address this concern.

Student Activity / School Affiliated Group Agency Accounts

The District maintains over 70 accounts related to student or school affiliated group activities. To reduce the amount of accounting procedures, Board potential liability and monitoring, accounts should only be maintained for current student groups. Affiliated groups should obtain separate checking accounts without utilizing the School's federal identification number. The groups should be contacted and funds transferred to authorized organization representatives.

Equipment Management

OMB Circular A-102 requires that equipment records should be maintained and that a physical inventory shall be taken at least once every two years and reconciled to the detail records. Although the school does not have significant federal purchased assets, we recommend the district perform a physical inventory at least biennially.

Food Service Receivable

At the close of fiscal year 2008, over \$9,000 was due for hot lunches. A concerted effort should be instituted to collect delinquent hot lunch amounts prior to year end to avoid post school year collection efforts. A collection policy should be instituted for all lunches not remitted.

Payroll Reconciliation

A payroll reconciliation of wage accounts reported on the general ledger to amounts reported on IRS Form 941 should be prepared annually. This provides assurance that amounts reported to federal agencies are in agreement with detailed general ledger records and supported.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

This report is intended solely for the information and use of the Board of Education and the Administration of Rudyard Area Schools and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 21, 2008